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RUEHVT/AMEMBASSY VALLETTA 0001
RHMFSS/CDR USCENTCOM MACDILL AFB FL
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LONDON AND PARIS FOR AFRICA WATCHERS

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E.O. 12958: N/A

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SUBJECT: GSE CHRONICALLY LATE REPAYING WORLD BANK

¶1. (SBU) World Bank (WB) Country Manager for Eritrea Chris Lovelace (strictly protect) told Emboff the Government of the State of Eritrea (GSE) came within mere days of being 60 days past due on a repayment to the WB for the second consecutive time. The first late payment was made "less than a week" before the deadline in December 2007; the second late payment was made on day 58 in mid-March. Payments past due by 60 days trigger a freeze on new programs, official notifications sent to creditors, and immediate repayment demands for all outstanding payments due. Lovelace was told by an official in the Finance Ministry the GSE did not have reserves available to make the payments, leading him to believe the trend to continue.

¶2. (SBU) Post has received reports indicating the GSE and People's Front for Democracy and Justice (PFDJ) sometimes draw upon hard currency reserves held in European banks to make payments in extreme circumstances. These funds are reportedly hand-carried back to Eritrea by senior GSE/PFDJ officials.

MCMULLEN